

INVESTIGATIVE AUDIT REPORT

SELECTED RECORDS OF THE GRANBERY ELEMENTARY-
PARENT-TEACHER ASSOCIATION/PARENT-TEACHER
ORGANIZATION

METROPOLITAN NASHVILLE-DAVIDSON COUNTY
SCHOOL SYSTEM

JANUARY 1, 2002, THROUGH APRIL 30, 2003



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
Department of Audit
Division of Municipal Audit



STATE OF TENNESSEE

John G. Morgan

C O M P T R O L L E R O F T H E T R E A S U R Y

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

March 8, 2005

Dr. Pedro E. Garcia, Director of Schools
and Members of the School Board
Metropolitan Nashville-Davidson County School System
2601 Bransford Avenue
Nashville, TN 37204

Dear Dr. Garcia and School Board Members:

At the request of officials of the Metropolitan Nashville-Davidson County School System, Granbery Elementary School, and Granbery Elementary Parent-Teacher Association/Parent-Teacher Organization (PTA/PTO), we have completed an investigative audit of selected records of the Granbery Elementary PTA/PTO. The scope of our examination focused on the period January 1, 2002, through April 30, 2003. However, when the examination warranted, this scope was expanded.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt the *Internal School Uniform Accounting Policy Manual* (prepared and approved as set forth in this code), and to maintain all activity fund books and records in accordance with the requirements of the manual. The purpose of our examination was to determine the extent of the school's compliance with certain laws and regulations, including those in this manual.

Our audit revealed that Julie Ann Taylor-Buchanan, former officer of the PTA/PTO, diverted more than \$140,000 from Granbery PTA/PTO bank accounts that she was not entitled. Ms. Buchanan also issued at least 150 checks to herself for which we could not determine any legitimate or authorized purpose for the payment. Ms. Buchanan provided auditors with photocopies of receipts. Auditors were able to determine that Ms. Buchanan apparently altered receipts in an attempt to conceal the true nature of the transaction they supported.

Dr. Pedro E. Garcia, Director of Schools
and Members of the School Board
Metropolitan Nashville-Davidson County School System
March 8, 2005

This matter was referred to the local district attorney. In December 2004, Julie Ann Taylor-Buchanan was indicted by a Davidson County Grand Jury on one count of Theft over \$60,000 and one count of Forgery.

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

John G. Morgan
Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

John G. Morgan
Comptroller of the Treasury

**SUITE 1600
JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0271
PHONE (615) 708-7871
FAX (615) 741-1551**

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

March 8, 2005

Mr. John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, TN 37243

Dear Mr. Morgan:

At the request of officials of the Metropolitan Nashville-Davidson County School System, Granbery Elementary School, and Granbery Elementary Parent-Teacher Association/Parent-Teacher Organization (PTA/PTO), we have completed an investigative audit of selected records of the Granbery Elementary PTA/PTO. The scope of our examination focused on the period January 1, 2002, through April 30, 2003. However, when the examination warranted, this scope was expanded.

Section 49-2-110, *Tennessee Code Annotated*, provides for student activity funds and establishes responsibility for those funds. The board of education is responsible for providing reasonable regulations, standards and procedures, and adopting an activity fund accounting manual. The director of schools is responsible for ensuring that laws and rules of the state and of the board of education are faithfully executed. The principal's responsibilities include accounting for the safekeeping and handling of money collected for and raised by student activities and school services and events.

Our audit revealed that Julie Ann Taylor-Buchanan, former officer of the PTA/PTO, diverted more than \$140,000 from Granbery PTA/PTO bank accounts to which she was not entitled. Ms. Buchanan issued at least 150 checks to herself for which we could not determine any legitimate or authorized purpose for the payments. In an attempt to justify the payments, Ms. Buchanan provided auditors with photocopies of receipts. Auditors were able to determine that Ms. Buchanan apparently altered many of the receipts in an attempt to conceal the true nature of the transactions they supported.

Mr. John G. Morgan
Comptroller of the Treasury
March 8, 2005

This matter was referred to the local district attorney. In December 2004, Julie Ann Taylor-Buchanan was indicted by a Davidson County Grand Jury on one count of Theft over \$60,000 and one count of Forgery.

If after reviewing the report you should have any questions, I will be happy to provide any additional information which you may request.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE
GRANBERY ELEMENTARY PARENT- TEACHER ASSOCIATION/PARENT-
TEACHER ORGANIZATION
METROPOLITAN NASHVILLE-DAVIDSON COUNTY SCHOOL SYSTEM
FOR THE PERIOD JANUARY 1, 2002, THROUGH APRIL 30, 2003**

BACKGROUND

The Division of Municipal Audit received a request for an investigative audit of the Granbery Elementary Parent-Teacher Association/Parent-Teacher Organization (PTA/PTO) from the Internal Audit Department of Metropolitan Nashville Public Schools, the Granbery Elementary school principal, and officials of the PTA/PTO.

LEGAL ISSUES

1. **ISSUE:** **Apparent misappropriation totaling more than \$140,000**

Our audit revealed that Julie Ann Taylor-Buchanan, former officer of the PTA/PTO, diverted more than \$140,000 to which she was not entitled from Granbery PTA/PTO bank accounts. Ms. Buchanan acknowledged to auditors that she probably took, without authority for her personal use, between \$75,000 and \$100,000 from the Granbery Elementary PTA/PTO bank accounts.

Our investigative audit revealed numerous questionable transactions that enabled Ms. Buchanan to divert money from the PTA/PTO without detection. Several examples of these questionable transactions are:

(a) ***Check issued for fundraiser supplies deposited into Ms. Buchanan's bank account***

Our audit revealed that on March 30, 2003, Ms. Buchanan issued a PTA/PTO check payable to "Helen Grace Choc. Co. Innisbrook" for \$3,250. However, that check was endorsed by Ms. Buchanan and deposited into Ms. Buchanan's personal bank account. Innisbrook officials stated that Ms. Buchanan was not authorized to deposit Innisbrook funds into her personal bank account. Refer to Exhibit 1.

(b) ***Financial transactions designed to disguise nature of transactions***

Our review of financial records indicated that Ms. Buchanan structured certain financial transactions apparently in an attempt to disguise the purpose of the transaction and her intended use of the money. Initially, PTA/PTO officials were only aware of the existence of one active PTA/PTO bank account for the 2002-2003 school year. However, bank records and other records obtained indicated

that Ms. Buchanan had opened at least four additional bank accounts in the name of the PTA/PTO. Ms. Buchanan admitted to auditors that she transferred money from one bank account to another in an effort to conceal her misappropriation. For example, on December 5, 2002, one of the PTA/PTO bank accounts had a balance of \$328.07. On December 6, 2002, Ms. Buchanan transferred into that account, via check, \$5,650 from another PTA/PTO bank account. That same day, December 6, 2002, Ms. Buchanan issued a \$5,600 check to herself from the first bank account, bringing the bank account balance back to \$378.07. She deposited this check into her personal bank account. We were unable to determine any legitimate or authorized purpose for this \$5,600 payment to Ms. Buchanan. The beginning and ending bank balances suggest that the sole reason for using this bank account was to disguise the nature of this transaction.

(c) ***Collections to benefit child with cancer diverted to Ms. Buchanan***

Ms. Buchanan apparently circulated a letter at the school soliciting donations to the PTA/PTO on behalf of a fund created to benefit the family of a Granbery Elementary student who had been diagnosed with a brain tumor. Our audit revealed that on February 5, 2003, one of the PTA/PTO bank accounts had a balance of \$136.12. On February 6, 2003, Ms. Buchanan made a bank deposit totaling \$1,562.28 into this account, which included \$720 in donations for that special fund. On February 9, 2003, Ms. Buchanan issued a \$1,525 check to herself from the same Granbery bank account, bringing the bank account balance down to 173.40. She deposited the check into her personal bank account. We were unable to determine any legitimate or authorized purpose for this \$1,525 payment to Ms. Buchanan. We found no indication that Ms. Buchanan forwarded the money to the child's family. The beginning and ending bank balances suggest that the sole reason for using this bank account was to disguise the nature of this transaction. Refer to Exhibits 2, 3, and 4.

2. **ISSUE: Unaccounted for collections and inadequate collection records**

In addition to the apparent misappropriation noted in Issue 1, Ms. Buchanan told auditors that in 2002, she had approximately \$25,000 in PTA/PTO fundraising collections at her house. She indicated probably 95 percent of these collections were cash. However, Ms. Buchanan claimed that she misplaced it, possibly accidentally throwing it away. Collection records maintained by the PTA/PTO were not adequate to determine if there was additional unaccounted for collections.

3. **ISSUE: Apparent forged check signatures**

Our investigative audit revealed that Ms. Buchanan issued at least 150 checks to herself for which we could not determine any legitimate or authorized purpose. In addition to Ms. Buchanan's signature, these checks often contained a second signature of a current or

former PTA/PTO officer. However, for at least 100 checks, the other current or former PTA/PTO official indicated that they had not co-signed these questioned checks, nor had they authorized anyone else to sign the checks on their behalf. Ms. Buchanan admitted to auditors that she had signed the officials' names to the checks without their permission or knowledge.

4. **ISSUE:** **Apparent altered receipts**

In an attempt to justify payments from the PTA/PTO bank accounts, Ms. Buchanan provided auditors with photocopies of receipts. Auditors were able to determine that Ms. Buchanan altered receipts apparently in an attempt to conceal the true nature of the transaction they supported. Ms. Buchanan acknowledged to auditors that she had fabricated many receipts. Refer to Exhibits 5, 6, and 7.

5. **ISSUE:** **Delinquent bills**

Because of inquiries into a number of transactions through the Granbery Elementary PTA/PTO bank accounts, in April 2003, bank officials suspended activity for the organization's bank accounts. At that time, Ms. Buchanan was removed from her position with the PTA/PTO. PTA/PTO officials stated they were surprised to find that the organization owed several vendors at least \$45,500. In addition, overdraft and overdraft fees charged to PTA/PTO bank accounts and subsequently paid by the PTA/PTO after bank activity was suspended totaled \$7,343.59.

This matter was referred to the local district attorney. In December 2004, Julie Ann Taylor-Buchanan, a former PTA/PTO officer, was indicted by a Davidson County Grand Jury on one count of Theft over \$60,000 and one count of Forgery.

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EXHIBITS

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Exhibit 1

Check payable to Innisbrook, deposited into Ms. Buchanan's personal bank account

GRANBERY SCHOOL PTO
RECYCLING ACCOUNT
5501 HILL RD.
BRENTWOOD, TN 37027

87-339-895
640
9094020

1024

DATE 3/30/63

PAY TO THE ORDER OF HELEN GRACE Chas. Co. / Innisbrook \$3250.00

Three thousand two hundred fifty DOLLARS

NB National Bank of Commerce
Brentwood, TN 37027 895

MEMO 200 cases Asstd. for T. Dwyer

⑆064003399⑆ 1024 9094020⑆ ⑈0000325000⑈

08805034
NBC nash 064003399
NAS TN 37210
04032003 6158717030

Deposited into Ms. Buchanan's personal bank account

APR 2 1963

INISBROOK, TN
J. Buchanan

For Deposit Only
9094574

Solicitation letter from Ms. Buchanan for donation to Doughtie Fund

Dear Granbery Family,

Today, we have very sad news.....

Tyler Doughtie

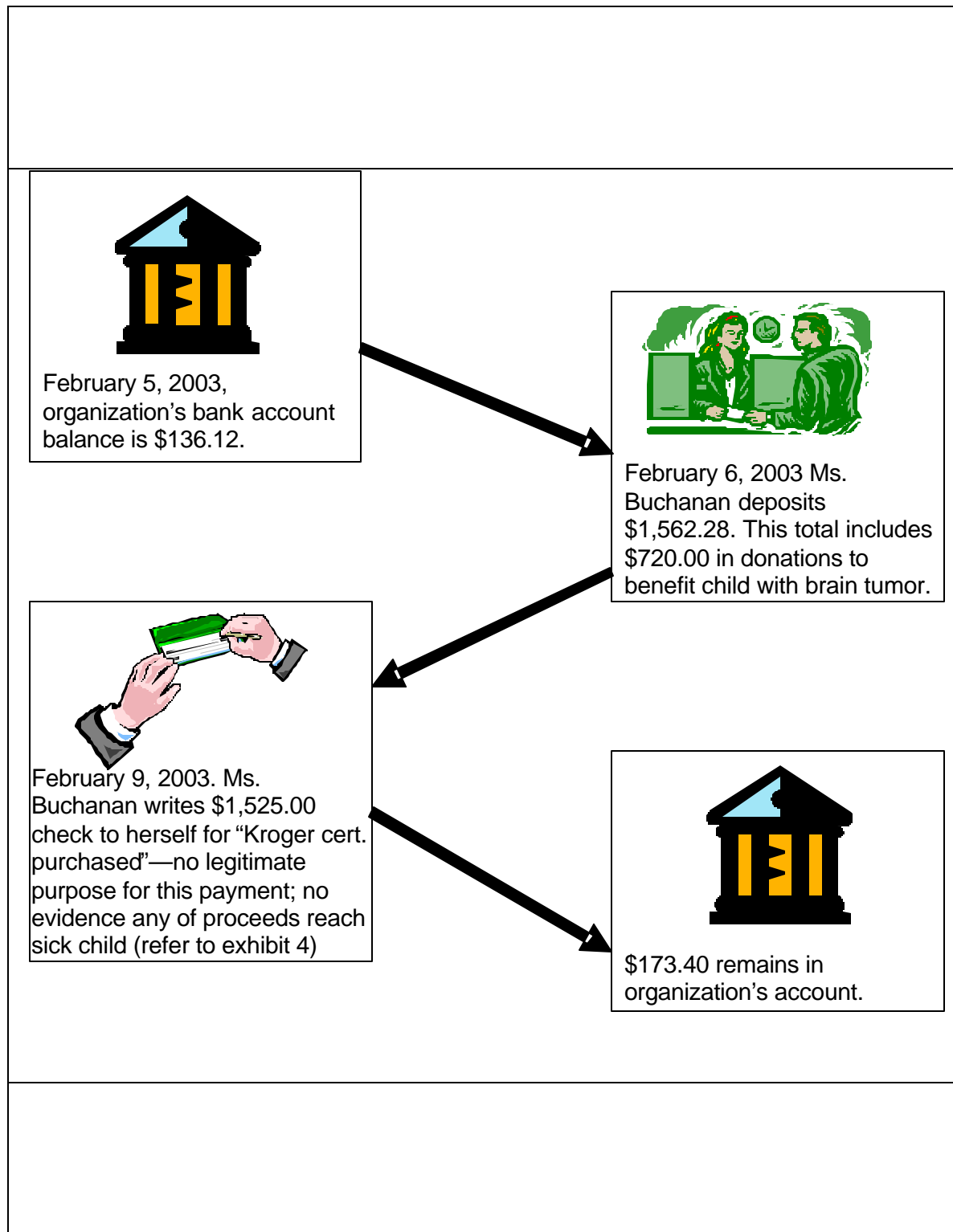
a precious second grade student in Mrs. Merritt's class has been diagnosed with brain cancer. Tyler's cancer is highly aggressive. He is currently at LeBonner Hospital in Memphis, where he has successfully undergone surgery to remove one piece of the tumor. Unfortunately, the remaining tumors on his brain and into his spinal column are inoperable. Tyler will be moved to St. Jude's Children's Hospital today to begin his treatment which is to include 8 -10 weeks of radiation in an effort to shrink the tumors, followed by 4 months of highly aggressive chemotherapy. St. Jude's is one of only four facilities which will perform this type of treatment. One parent will be required to stay with Tyler throughout the course of his treatment. Needless to say, the financial burden will be extensive.

This family needs our help, both in prayer and financial assistance. Please help if you are able - every dollar adds up!

The Executive Board of the Granbery PTO has established a special fund for Tyler at the National Bank of Commerce in Maryland Farms. If you are able to help, we would appreciate your donations, made payable to "The Tyler Doughtie Fund". In order to keep your donations private, we ask that you enclose your check in a sealed envelope, clearly marked for the Tyler Doughtie Fund. Teachers will route the envelopes to Julie or Patty, and we will take these to the bank, where the administrators will deposit the funds into this account. If anyone attends a church that offers benevolence of this type, please do what you can to have Tyler included.

We are all blessed to have a special "family" here at Granbery that we can call upon in times of need and distress.

Structure of Doughtie Fund transaction



Check diverting donations to Doughtie Fund to Ms. Buchanan

GRANBERY SCHOOL PTO RECYCLING ACCOUNT 5501 HILL RD. BRENTWOOD, TN 37027		87-339 895 640 9094020 DATE <u>2/9/03</u>	1014
PAY TO THE ORDER OF <u>Julie Buchanan</u>		\$ <u>1525.00</u>	
<u>One thousand five hundred twenty five</u>		DOLLARS	
National Bank of Commerce Brentwood, TN 37027 895			
MEMO <u>2/8/03-Krogen Cent. Purchased</u> <u>Julie Buchanan</u>			
⑆064003349⑆		1014 9094020	⑆0000152500⑆

05319938 NBC nash 064003399 NAS TN 37210 02102003 6158717030	FEB 10 2003	9094574
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Authentic Kroger invoice

INVOICE

Kroger Mid South
P. O. Box 32680
Louisville, KY 40232
(502) 423-4957

Order Date	Customer	Store	Ship Via	Credit Card	Order Note	Invoice
8/26/2002	002025	537	STORE		Julie Buchanan	0009607

Sold To: Phone: (615) 333-6400

Ship To: Fax:

Granbery Elementary School
 5501 Hill Road ATTN: Patty Pfeifer
 Brentwood, TN 37027

Kroger Store 537
 5713 Edmondson Pike Attn: Julie Buchanan
 Nashville, TN 37211

Product Description	Card Number Range	Value	Quantity	Extension
Five Dollars	600649-0900-0147-3793-5 600649-0900-0147-3842-0	\$5.00	50	\$250.00

Sub-total: 50 \$250.00

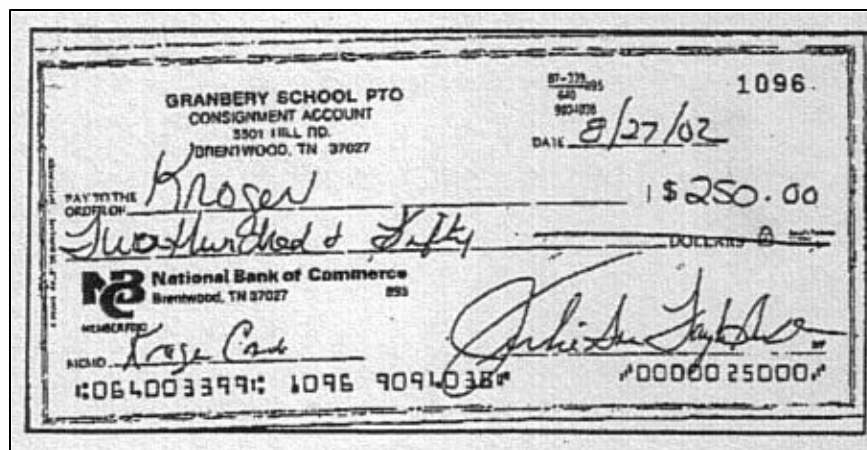
Discount:

Shipping:

Total: \$250.00

NOTE: Gift Cards will be Activated next working day.

Entered by: mariap



Instructions:

Liability	Discount	Shipping/Handling	Amount Due
12-9450	32-7706	38-1000	01-5230
\$250.00			\$250.00

Thank You For Your Order, Please Call Again.
 Customer Copy

Altered Kroger invoice presented by Ms. Buchanan

First digit of date altered

Actual invoice paid by check

Invoice number hidden

INVOICE

Kroger Mid South

P. O. Box 32680

Louisville, KY 40232

(502) 423-4957

Order Date	Customer	Store	Ship Via	Credit Card	Order Note
5/26/2002	002025	537	STORE		Julie Buchanan

Sold To:

Granbery Elementary School
4701 Potomac Lane Attn: Julie Buchanan
Brentwood, TN 37027

Phone: (615) 373-8398

Ship To:

Kroger Store 537
5713 Edmondson Pike Attn: Julie Buchanan
Nashville, TN 37211

Product Description	Card Number Range	Value	Quantity	Extension
				\$5,300.00

NOTE: Gift Cards will be Activated next working day.

Purchased At
to SALE
Consignmet -
Bulle held open first
until hived day
Asst'd Amount

Entered by: marjap

Amount of invoice altered

Details of Product Description, Card No. Range, and Quantity were removed

Check Ms. Buchanan prepared payable to herself based on altered invoice

GRANBERY SCHOOL PTO CONSIGNMENT ACCOUNT 5501 HILL RD. BRENTWOOD, TN 37027		87-339 610 895 9094038 DATE <u>8/16/02</u>	1101
PAY TO THE ORDER OF <u>Julie Buchanan</u>		\$5300.00	
Five thousand three hundred		DOLLARS	
NB National Bank of Commerce Brentwood, TN 37027 895			
MEMBER FDIC REIMBURSEMENT for Personal MEMO <u>CK of 6/19 for Cards</u>			
Signature: <u>Julie Buchanan</u>			
1064003399		1101 9094038	
0000530000		0000530000	

22100233
 NBC-knox-064203429
 NAS TN 372106158717030
 09092002

Signature: Julie Buchanan
 for deposit only 9094574